



Health Insurance in The Netherlands

4 November 2009

AUDIT / FINANCIAL SERVICES



Agenda

Introduction

The risk equalisation model

Personal contributions

The major changes in the Dutch market since the announcement of the new health care insurance model

Lessons learned

Questions and discussion


Introduction - Current health care costs

| Total health care costs in the Netherlands / The Czech Republic | | | | |
|---|---------------|---------------|---------------|-------------|
| <i>in millions of Euros</i> | 2006 | 2007* | 2008* | Δ 07/08 |
| Care | 40.683 | 43.390 | 46.382 | 6,9% |
| Cure | 27.523 | 28.562 | 30.204 | 5,7% |
| Administrative | 2.327 | 2.494 | 2.505 | 0,4% |
| Total | 70.533 | 74.446 | 79.091 | 6,2% |

| | | | | |
|-----------------------------|-------|-------|-------|---|
| Per person (in Euros) | 4.315 | 4.545 | 4.809 | 5,8% |
| % GDP in the Netherlands | 13,1% | 13,1% | 13,3% |  |
| % GDP in The Czech Republic | 6,6% | 6,3% | PM |  |

* = preliminary figures

How to control health care expenditure in coming years?



Introduction – The reasons for a new model

Reason to implement a new health care system:

- Standardise of the health insurance system for all citizens
- Introduce market incentives
 - improve cost awareness of citizens
 - improve quality of services (compete for customers)
- Competition is expected to lower the costs and improve quality of health care

The Dutch model combines social guarantees with market incentives



Introduction – Health care insurance model

Supplementary health care insurance

- Coverage set by the insurance company
- Additional health care is covered
- Voluntary insurance

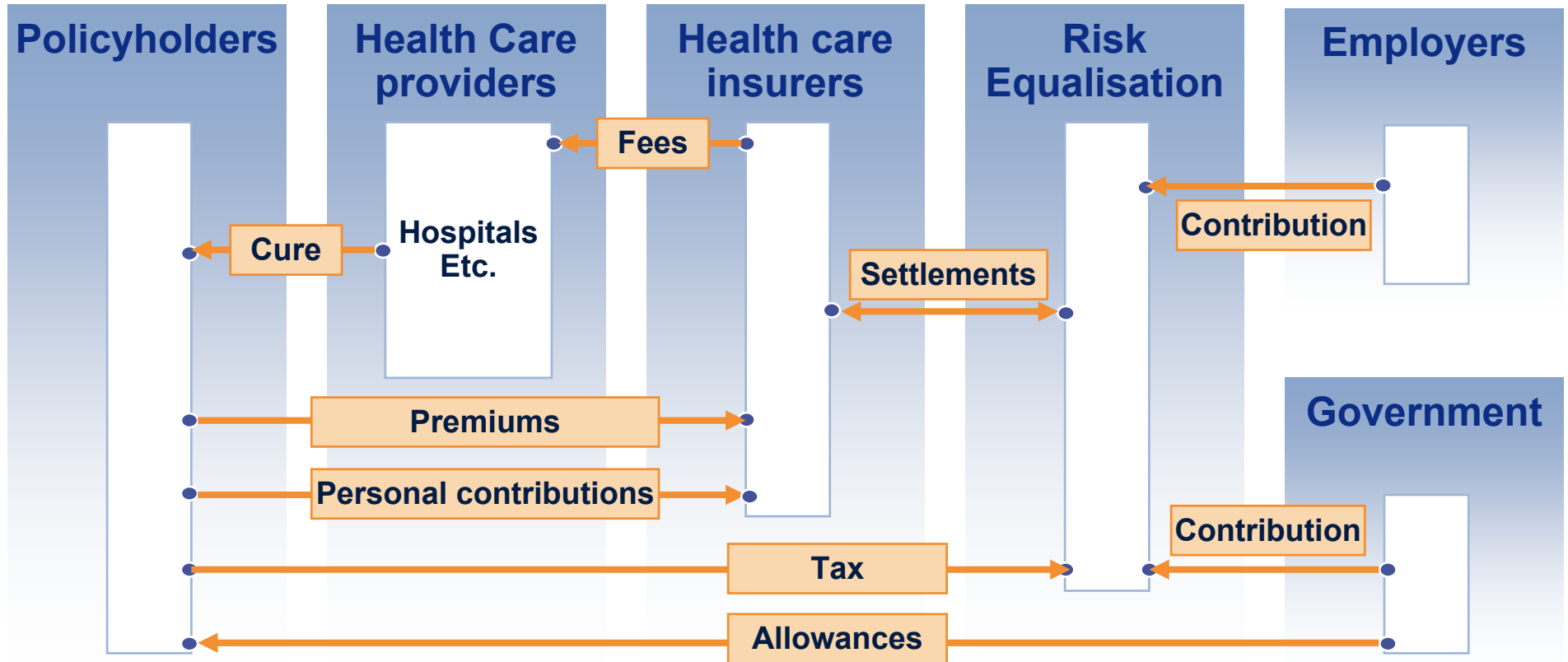
Basis Health Insurance

- Coverage set by the government
- Insurers have to accept everyone
- Same premiums for all insured
- Risk equalisation system applies

Care

- Care is fully covered
- Tax based financed
- All citizens covered

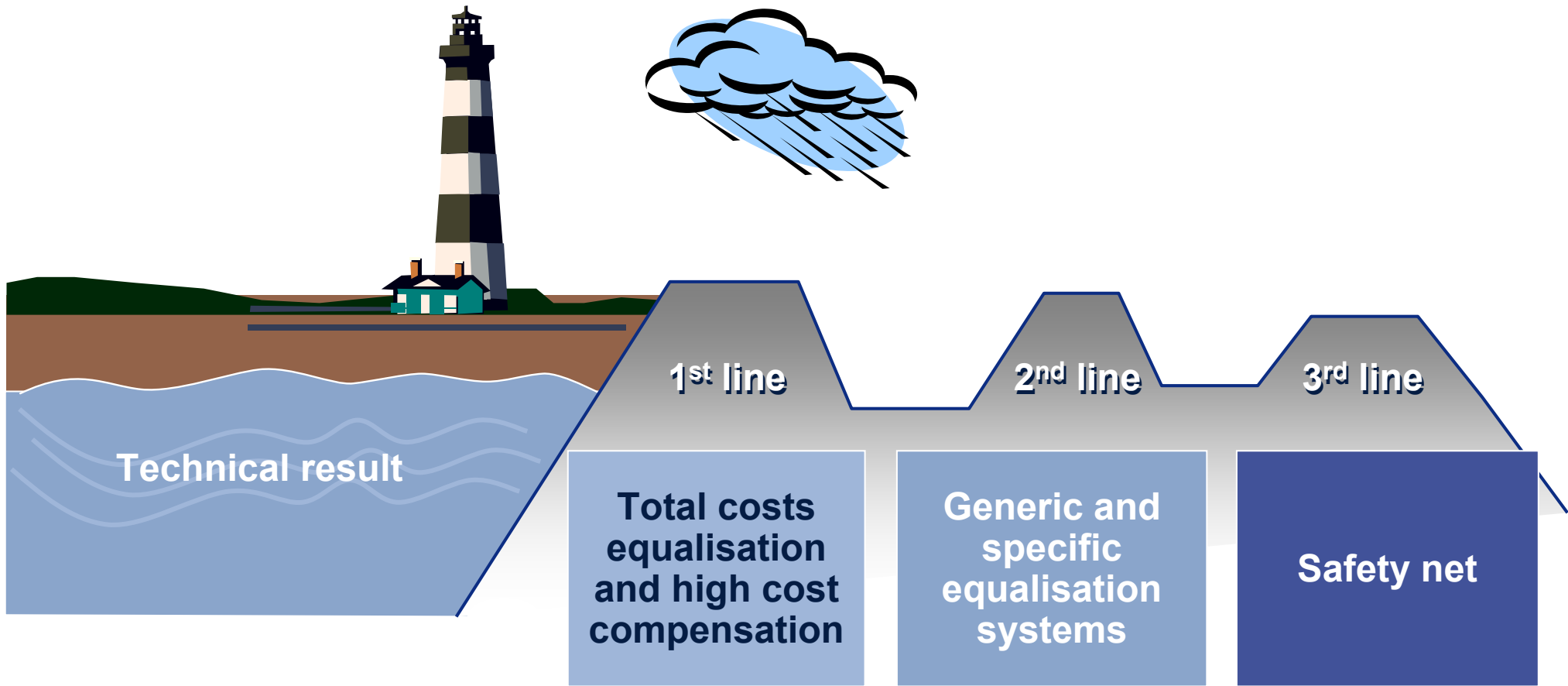
Introduction – Financing the system



Government compensates for budget overrun



The Risk equalisation Model





The Dutch risk equalisation system

Dutch risk equalisation system

Ex ante – compensation via premium for:

- Social status
- Regions
- Chronic patients

Ex post – compensation for costs for:

- High costs
(equal distribution of relatively high costs >EUR 20.000 to all care insurers)
- Generic and specific equalisation
(a fixed percentage of hospital costs respectively cost of mental care)
- Safety net
(cost exceeding a bandwidth of EUR +/-17,50 per person after all other compensation mechanism)

**The government intends to minimise generic equalisation
in order to improve the involvement of the market**

The risk equalisation model –more in detail–

| Hospital care (constant costs) | Hospital care (variabel cost) | Mental care | Other care | |
|--|--|---|--|----------------------------|
| Budget based on gender of the people insured Budget based on Age of the people insured Correction for chonical diseases of the people insured Other variabels | | | | 1st line |
| Standard buget Actual costs Impact of total costs equalisation - | Standard budget Actual costs Impact of total costs equalisation HCC | Standard budget Actual costs Impact of total costs equalisation | Standard Budget Actual costs Impact of total costs equalisation HCC | |
| Budget result 100% generic risk equalisation - | Budget result 50% generic risk equalisation Safety net ((result > bandwith of +/- EUR 20,00 per person insured) * 90%) | Budget result 100% generic risk equalisation | Budget result - - | |
| Result contant costs of hospital care (nil) | Result variabel cost of hospital care | Result mental care (nil) | Result other care | |



Individual contributions

- Until 2008, a 'no claim' system was applicable up to 255 Euros
- From 2008 the 150 Euros costs are for own account of insured
 - chronic illness or disability are compensated financially
- For some health care services provided (e.g. maternity care) small additional fee has to be paid directly to the health care provider
- People aged 18 and younger do not pay premium. The insurance company is compensated by government for a fixed amount



The major changes in the Dutch market

Due to credit crunch cost savings amounting to 12 billion should be realised as from 2010

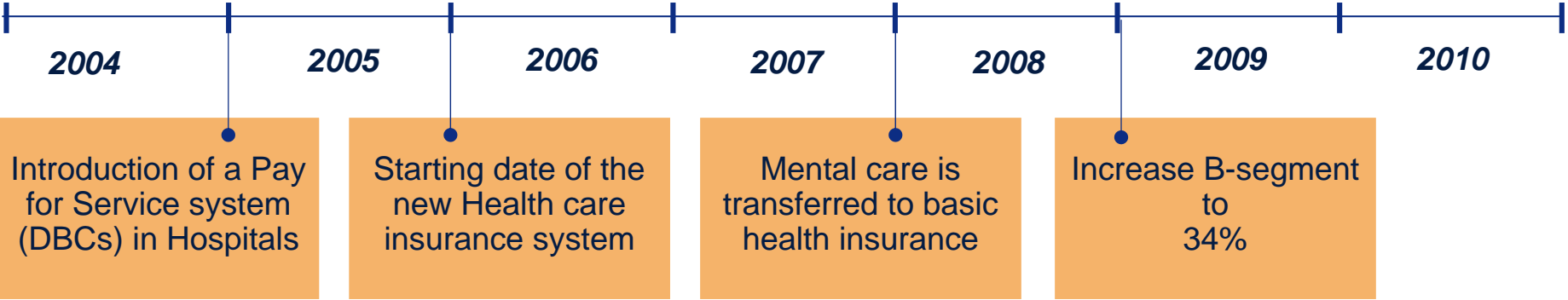
Integration of the supply chain??
Internationalisation of health care??
More focus on E-health?

More focus on preventive care by the authorities in order to improve quality of life

Programmes to improve the quality of health procurement were / are running

Intensive cost reduction programmes (administrative costs) were performed

Several mergers took place in order to reduce administrative costs and to enlarge purchasing power





The new Dutch health care system...

Advantages of the new system

- Health insurance companies compete with each other on price and quality of services rendered
- Health Insurance companies focus nowadays on purchasing quality care at reasonable prices
- Health care providers are more focused on their performance (quality and services)

Disadvantages of the new system

- The total cost of health care is still increasing
- The system is very complex
- Due to start up problems material uncertainties exist regarding the actual cost of health as from 2006
- The impact of the market is limited due to the compensating effects of the risk equalisation



Lessons learned

- Redesign of the health care insurance industry maybe necessary but is not a magic formula for success
- To create a sustainable health system objectives of health care providers, the insurance industry and government must be aligned
- Equalisation system facilitated the transition to a cost effective health system
- Accurate data and transparency is needed
- Budget overrun compensation by the government frustrates cost efficiency



Questions and discussion

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Other information

Additional information

- Publication of the Dutch Ministry of Health, Welfare & Sport about Health Insurance in the Netherlands
 - www.vws.nl
- Publication of the Dutch Ministry of Health, Welfare & Sport about the risk equalisation system in the Netherlands
 - www.vws.nl

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